

**LIVINGSTON COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2013

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
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## **INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Livingston County School District  
Smithland, Kentucky

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School District's Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 1, 2013, on my consideration of the Livingston County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Livingston County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky  
November 1, 2013

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Livingston County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning general fund balance for the District was \$312,487 and the ending balance was \$1,702,475.
- The District had a combined fund balance for all governmental funds on July 1, 2011 of \$957,865. The balance decreased to \$607,487 by June 30, 2012 and increased to \$2,535,612 by June 30, 2013. The combined revenues for all governmental funds did not change significantly from FY 11 to FY 12; however, tax revenues increased by approximately \$880,000 during FY 13. Expenditures have fluctuated from year to year. When excluding construction projects financed by bond proceeds, combined expenditures for all governmental funds decreased by approximately \$450,000 during FY 13. The net position of the proprietary fund decreased slightly from \$354,908 at July 1, 2011 to \$320,317 by June 30, 2012 then decreased to \$245,254 by June 30, 2013. The decrease during FY 13 was primarily due to an increase in employee costs.
- The district remains committed to increasing administration, teacher, and support staff salaries to that comparable of surrounding districts. A 1% raise was budgeted for the 2013-2014 school year.
- The General Fund had \$10,612,090 in revenue (excluding interfund transfers), which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased from the prior year by about \$800,000, primarily from tax revenues. Excluding interfund transfers, there was \$9,547,105 in General Fund expenditures. Expenditures decreased from the prior year by about \$200,000, mainly in the line items for instruction, instructional staff, and plant operations and maintenance.
- Instruction, student transportation, and student support services accounted for 69.7% of General Fund expenditures.
- The District experienced a mid-year reduction in SEEK payments from the state.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,994,281 as of June 30, 2013. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.



**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

	<b>Net Position for the period ending</b>	
	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Current Assets	\$ 3,727,646	\$ 1,023,073
Noncurrent Assets	16,010,454	14,304,441
Other Assets	107,315	78,232
<b>Total Assets</b>	<b><u>\$19,845,415</u></b>	<b><u>\$15,405,746</u></b>
Current Liabilities	\$ 1,925,982	\$ 909,277
Noncurrent Liabilities	9,925,152	7,563,242
<b>Total Liabilities</b>	<b><u>\$11,851,134</u></b>	<b><u>\$ 8,472,519</u></b>
Net Investment in capital assets	\$ 5,374,794	\$ 6,170,376
Restricted	970,678	539,307
Unrestricted	1,648,809	223,544
<b>Total Net Position</b>	<b><u>\$ 7,994,281</u></b>	<b><u>\$ 6,933,227</u></b>

**Comments on Budget Comparisons**

- There were no significant variations between the original and final budget amounts.
- The District's total general fund revenues for the fiscal year ended June 30, 2013, net of interfund transfers, were \$10,612,090.
- General fund budgeted revenues compared to actual revenue varied from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$870,957 more than budget, with most of the difference attributable to higher total local taxes than budgeted.
- The total cost of all general fund programs and services was \$9,547,105 net of debt service and construction costs.
- General fund budgeted expenditures (excluding contingency) compared to actual expenditures also varied from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted) being \$201,005 less than budget. The largest differences from budgeted amounts were in the functions for district administration (\$161,000 less than budget) and student transportation (\$73,000 less than budget).
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$1,965,487. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013, compared to the fiscal year ended June 30, 2012.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

	June 30, 2013	June 30, 2012
<b>Program Revenues:</b>		
Charges for Services – Food Service	\$ 226,503	\$ 259,113
Charges for Services – Governmental	24,488	11,013
Operating grants – Governmental	4,127,416	4,575,769
Operating grants – Food Service	632,172	577,622
Capital grants	<u>666,940</u>	<u>613,130</u>
<b>Total program revenues</b>	<b><u>5,677,519</u></b>	<b><u>6,036,647</u></b>
<b>General Revenues:</b>		
Taxes	4,961,496	4,082,425
Earnings on investments	1,583	5,371
State and formula grants	3,889,501	3,945,405
Gain on disposal of fixed assets	110,721	0
Miscellaneous	<u>0</u>	<u>1</u>
<b>Total general revenues</b>	<b><u>8,963,301</u></b>	<b><u>8,033,202</u></b>
<b>Expenses:</b>		
Instruction	7,586,490	7,966,260
Student support services	254,972	314,021
Instructional support	397,601	554,142
District administration	680,149	391,702
School administration	728,028	678,878
Business support	314,158	247,542
Plant operations	1,286,127	1,432,620
Student transportation	967,168	956,337
Community services	84,009	85,703
Interest on long-term debt	333,841	318,849
Food service operation	930,171	872,578
Loss on disposal of fixed assets	3,691	1,960
Other	<u>13,361</u>	<u>8,581</u>
<b>Total expenses</b>	<b><u>13,579,766</u></b>	<b><u>13,829,173</u></b>
<b>Change in net position</b>	<b>1,061,054</b>	<b>240,676</b>
<b>Beginning net position</b>	<b><u>6,933,227</u></b>	<b><u>6,692,551</u></b>
<b>Ending net position</b>	<b><u>\$ 7,994,281</u></b>	<b><u>\$ 6,933,227</u></b>

**General Fund**

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. Total state funding accounted for 55.3% of General Fund revenues, followed by local taxes at 43.3%, and all other revenues at 1.4%. The majority of the District's activities are accounted for in the General Fund.

The largest category of General Fund expenditures was for instruction (58.9%), followed by plant operations and maintenance (9.4%), student transportation (8.1%), school administration services (7.5%), district administration support services (6.1%), instructional staff support services (4.1%), business support services (3.2%), and student support services (2.7%).

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**Special Revenue Fund**

The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation. Livingston County Public Schools received federal grants in the amount of \$1,391,138 and state grants in the amount of \$600,518.

**Capital Project Funds**

The SEEK Capital Outlay Fund and the FSPK Building Fund are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The state contributes to those funds. The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

**Debt Service Funds**

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013, the District had \$16,010,454 invested in land, buildings, and equipment. Of that amount, \$15,900,511 is in governmental activities.

See Note E for a breakdown of additions by class on page 29.

**Debt Administration**

The District had \$11,230,000 in bonds payable outstanding on June 30, 2013. A total of \$923,571 is due within one year.

See Note F on pages 30-31 for a detailed list of bonds payable.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$8,911,498 in the General Fund and Food Service Fund combined and a contingency of \$275,060 which is 3.1%. The beginning fund balance for the fiscal year was \$312,487.

Questions regarding this report should be directed to the Superintendent Darryl Chittenden, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 2,802,634	\$ 131,406	\$ 2,934,040
Accounts receivable:			
Taxes - current	106,308	0	106,308
Taxes - delinquent	29,987	0	29,987
Accounts receivable	14,761	268	15,029
Interest receivable	1,333	0	1,333
Intergovernmental - state	34,454	0	34,454
Intergovernmental - indirect federal	375,522	35,754	411,276
Inventory	0	28,582	28,582
Prepaid expenses	166,637	0	166,637
<b>Total current assets</b>	<u>3,531,636</u>	<u>196,010</u>	<u>3,727,646</u>
<b>Noncurrent Assets:</b>			
Capital assets	25,218,506	465,160	25,683,666
Less: Accumulated depreciation	(9,317,995)	(355,217)	(9,673,212)
<b>Total noncurrent assets</b>	<u>15,900,511</u>	<u>109,943</u>	<u>16,010,454</u>
<b>Other Assets:</b>			
Unamortized bond issue costs	107,315	0	107,315
<b>Total other assets</b>	<u>107,315</u>	<u>0</u>	<u>107,315</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 19,539,462</u></u>	<u><u>\$ 305,953</u></u>	<u><u>\$ 19,845,415</u></u>
<b>LIABILITIES :</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 863,829	\$ 40,853	\$ 904,682
Due to school activity funds	764	0	764
Deferred revenue	126,347	0	126,347
Current portion of bond obligations	923,571	0	923,571
Plus: Current portion of bond premium	5,619	0	5,619
Less: Current portion of unamortized bond discount	(11,333)	0	(11,333)
Less: Current portion of deferred loss on early debt retirement	(54,343)	0	(54,343)
Current portion of accrued sick leave	5,084	0	5,084
Interest payable	25,591	0	25,591
<b>Total current liabilities</b>	<u>1,885,129</u>	<u>40,853</u>	<u>1,925,982</u>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of bond obligations	10,306,429	0	10,306,429
Plus: Noncurrent portion of unamortized bond premium	56,187	0	56,187
Less: Noncurrent portion of unamortized bond discount	(47,043)	0	(47,043)
Less: Noncurrent portion of deferred loss on early debt retirement	(543,427)	0	(543,427)
Noncurrent portion of accrued sick leave	133,160	19,846	153,006
<b>Total noncurrent liabilities</b>	<u>9,905,306</u>	<u>19,846</u>	<u>9,925,152</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 11,790,435</u></u>	<u><u>60,699</u></u>	<u><u>\$ 11,851,134</u></u>
<b>NET POSITION:</b>			
Net Investment in capital assets	\$ 5,264,851	\$ 109,943	\$ 5,374,794
Restricted for:			
SFCC Escrow	45,529	0	45,529
Capital Projects	787,600	0	787,600
Debt service	8	0	8
Food service	0	135,311	135,311
SBDM carryover	2,230	0	2,230
Unrestricted	1,648,809	0	1,648,809
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,749,027</u></u>	<u><u>\$ 245,254</u></u>	<u><u>\$ 7,994,281</u></u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 7,586,490	\$ 24,488	\$ 3,160,375	\$ 666,940	\$ (3,734,687)	\$ 0	\$ (3,734,687)
Support Services:							
Student	254,972	0	67,839	0	(187,133)	0	(187,133)
Instructional Staff	397,601	0	84,931	0	(312,670)	0	(312,670)
District Administration	680,149	0	43,245	0	(636,904)	0	(636,904)
School Administration	728,028	0	168,079	0	(559,949)	0	(559,949)
Business	314,158	0	111,193	0	(202,965)	0	(202,965)
Plant operations and maintenance	1,286,127	0	75,681	0	(1,210,446)	0	(1,210,446)
Student transportation	967,168	0	207,501	0	(759,667)	0	(759,667)
Community service activities	84,009	0	83,905	0	(104)	0	(104)
Interest on long-term debt	333,841	0	122,667	0	(211,174)	0	(211,174)
Other debt service	13,361	0	2,000	0	(11,361)	0	(11,361)
<b>Total governmental activities</b>	<b>12,645,904</b>	<b>24,488</b>	<b>4,127,416</b>	<b>666,940</b>	<b>(7,827,060)</b>	<b>0</b>	<b>(7,827,060)</b>
<b>Business-Type Activities:</b>							
Food service	930,171	226,503	632,172	0	0	(71,496)	(71,496)
Loss on disposal of fixed assets	3,691	0	0	0	0	(3,691)	(3,691)
<b>Total business-type activities</b>	<b>933,862</b>	<b>226,503</b>	<b>632,172</b>	<b>0</b>	<b>0</b>	<b>(75,187)</b>	<b>(75,187)</b>
<b>Total primary government</b>	<b>\$ 13,579,766</b>	<b>\$ 250,991</b>	<b>\$ 4,759,588</b>	<b>\$ 666,940</b>	<b>(7,827,060)</b>	<b>(75,187)</b>	<b>(7,902,247)</b>
<b>General Revenues:</b>							
Taxes:							
Property					2,641,417	0	2,641,417
Motor Vehicle					657,869	0	657,869
Utilities					607,133	0	607,133
In Lieu of					1,055,077	0	1,055,077
Earnings on Investments					1,459	124	1,583
State and formula grants					3,889,501	0	3,889,501
Gain on disposal of fixed assets					110,721	0	110,721
<b>Change in net position</b>					<b>1,136,117</b>	<b>(75,063)</b>	<b>1,061,054</b>
Net position at July 1, 2012					6,612,910	320,317	6,933,227
Net position at June 30, 2013					<b>\$ 7,749,027</b>	<b>\$ 245,254</b>	<b>\$ 7,994,281</b>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>					
Cash and cash equivalents	\$ 1,194,957	\$ 0	\$ 1,562,140	\$ 45,537	\$ 2,802,634
Accounts receivable:					
Taxes - current	106,308	0	0	0	106,308
Taxes - delinquent	29,987	0	0	0	29,987
Accounts receivable	14,761	0	0	0	14,761
Due from special revenue fund	270,461	0	0	0	270,461
Due from school activity funds	1,333	0	0	0	1,333
Intergovernmental - state	6,759	27,695	0	0	34,454
Intergovernmental - indirect federal	2,300	373,222	0	0	375,522
Prepaid expenses	166,637	0	0	0	166,637
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 1,793,503</u>	<u>\$ 400,917</u>	<u>\$ 1,562,140</u>	<u>\$ 45,537</u>	<u>\$ 3,802,097</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 85,180	\$ 4,109	\$ 774,540	\$ 0	\$ 863,829
Due to general fund	0	270,461	0	0	270,461
Due to school activity funds	764	0	0	0	764
Deferred revenue	0	126,347	0	0	126,347
Current portion of accrued sick leave	5,084	0	0	0	5,084
<b>TOTAL LIABILITIES</b>	<u>91,028</u>	<u>400,917</u>	<u>774,540</u>	<u>0</u>	<u>1,266,485</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid expenses	166,637	0	0	0	166,637
Restricted:					
KSFCC escrow	0	0	0	45,529	45,529
Construction projects	0	0	787,600	0	787,600
Debt service	0	0	0	8	8
Committed:					
SBDM carryforward	2,230	0	0	0	2,230
Unassigned	1,533,608	0	0	0	1,533,608
<b>TOTAL FUND BALANCES</b>	<u>1,702,475</u>	<u>0</u>	<u>787,600</u>	<u>45,537</u>	<u>2,535,612</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,793,503</u>	<u>\$ 400,917</u>	<u>\$ 1,562,140</u>	<u>\$ 45,537</u>	<u>\$ 3,802,097</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balance per fund financial statements	\$ 2,535,612
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	25,218,506	
Accumulated depreciation	<u>(9,317,995)</u>	15,900,511

Deferred charges including debt issue costs are amortized in the governmental activities, but were recognized in full in the governmental funds.	107,315
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Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	(25,591)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond and lease obligations	(10,635,660)	
Accrued sick leave payable	<u>(133,160)</u>	<u>(10,768,820)</u>

Net position for governmental activities	<u><u>\$ 7,749,027</u></u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
From Local Sources:					
Taxes:					
Property	\$ 2,294,233	\$ 0	\$ 0	\$ 347,184	\$ 2,641,417
Motor Vehicle	657,869	0	0	0	657,869
Utilities	607,133	0	0	0	607,133
In Lieu of	1,037,560	0	0	0	1,037,560
Tuition	1,275	0	0	0	1,275
Earnings on Investments	1,452	29	0	7	1,488
Other local revenues	14,481	45,577	0	0	60,058
Intergovernmental - State	5,872,505	600,518	0	741,621	7,214,644
Intergovernmental - indirect federal	8,732	1,391,138	0	0	1,399,870
Intergovernmental - direct federal	0	0	0	47,986	47,986
<b>TOTAL REVENUES</b>	<b>10,495,240</b>	<b>2,037,262</b>	<b>0</b>	<b>1,136,798</b>	<b>13,669,300</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	5,622,550	1,886,461	0	0	7,509,011
Support Services:					
Student	253,784	0	0	0	253,784
Instructional Staff	392,355	0	0	0	392,355
District Administration	579,890	0	0	0	579,890
School Administration	720,804	0	0	0	720,804
Business	304,362	0	0	0	304,362
Plant operations and maintenance	898,246	0	0	0	898,246
Student transportation	775,114	93,888	0	0	869,002
Community service activities	0	83,905	0	0	83,905
Facilities acquisition and construction	0	0	2,321,335	0	2,321,335
Debt service	0	0	0	1,037,211	1,037,211
<b>TOTAL EXPENDITURES</b>	<b>9,547,105</b>	<b>2,064,254</b>	<b>2,321,335</b>	<b>1,037,211</b>	<b>14,969,905</b>
Excess (deficit) of revenues over expenditures	<b>948,135</b>	<b>(26,992)</b>	<b>(2,321,335)</b>	<b>99,587</b>	<b>(1,300,605)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale or compensation for loss of assets	116,850	0	0	0	116,850
Proceeds of revenue bonds	0	0	3,109,880	2,000	3,111,880
Operating transfers in	351,995	26,992	0	465,472	844,459
Operating transfers out	(26,992)	0	0	(817,467)	(844,459)
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<b>441,853</b>	<b>26,992</b>	<b>3,109,880</b>	<b>(349,995)</b>	<b>3,228,730</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<b>1,389,988</b>	<b>0</b>	<b>788,545</b>	<b>(250,408)</b>	<b>1,928,125</b>
<b>Fund Balance, July 1, 2012</b>	<b>312,487</b>	<b>0</b>	<b>(945)</b>	<b>295,945</b>	<b>607,487</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ 1,702,475</b>	<b>\$ 0</b>	<b>\$ 787,600</b>	<b>\$ 45,537</b>	<b>\$ 2,535,612</b>

See independent auditor's report and accompanying notes to financial statements



LIVINGSTON COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2013

Net change in total fund balances per fund financial statements \$ 1,928,125

Amounts reported for governmental activities in the statement of activities  
 are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense is exceeded by capital outlays for the year.

Depreciation expense	(661,370)	
Capital outlays	<u>2,368,591</u>	1,707,221

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Gross proceeds from the sale of fixed assets	(116,850)	
Gain on the disposal of fixed assets	<u>110,721</u>	(6,129)

Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond proceeds	(3,109,880)	
Principal paid	<u>765,000</u>	(2,344,880)

Governmental funds report the effect of issuance costs and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Amortization of deferred bond issuance costs and discounts	(18,980)	
Amortization of bond premium	5,619	
Amortization of deferred loss on early retirement of debt	<u>(54,343)</u>	(67,704)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	(7,287)	
Accrued sick leave	<u>(73,229)</u>	<u>(80,516)</u>

Change in net position of governmental activities		<u><u>\$ 1,136,117</u></u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2013

	Food Service Fund
<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 131,406
Inventory	28,582
Accounts receivable:	
Accounts	268
Intergovernmental - indirect federal	35,754
<b>Total current assets</b>	<u>196,010</u>
<b>Noncurrent Assets</b>	
Capital assets	465,160
Less: accumulated depreciation	<u>(355,217)</u>
<b>Total noncurrent assets</b>	<u>109,943</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 305,953</u></u>
<b>LIABILITIES:</b>	
<b>Current Liabilities</b>	
Accounts payable	<u>\$ 40,853</u>
<b>Total current liabilities</b>	<u>40,853</u>
<b>Noncurrent Liabilities</b>	
Noncurrent portion of accrued sick leave	<u>19,846</u>
<b>Total noncurrent liabilities</b>	<u>19,846</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 60,699</u></u>
<b>Net Position</b>	
Net investment in capital assets	\$ 109,943
Nonspendable - inventories	28,582
Restricted for food service	<u>106,729</u>
<b>Total net position</b>	<u><u>\$ 245,254</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended June 30, 2013

	Food Service Fund
	<hr/>
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 222,575
Other operating revenues	<u>3,928</u>
<b>Total operating revenues</b>	<u>226,503</u>
<b>Operating Expenses:</b>	
Salaries and benefits	455,857
Contract services	40,976
Materials and supplies	402,503
Depreciation	19,392
Expendable equipment	8,601
Other operating expenses	<u>2,842</u>
<b>Total operating expenses</b>	<u>930,171</u>
Operating income (loss)	<u>(703,668)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	510,860
Donated commodities	46,903
State grants	74,409
Interest income	124
Loss on disposal of assets	<u>(3,691)</u>
<b>Total non-operating revenues</b>	<u>628,605</u>
Change in net position	(75,063)
<b>Net Position, July 1, 2012</b>	<u>320,317</u>
<b>Net Position, June 30, 2013</b>	<u><u>\$ 245,254</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2013

	Food Service Fund
<b>Cash Flows from Operating Activities:</b>	
Cash received from:	
Lunchroom sales	\$ 222,575
Other operating revenues	3,660
Cash paid to/for:	
Employees	(384,741)
Contract services	(35,941)
Materials and supplies	(354,275)
Expendable equipment	(2,493)
Other operating expenses	(2,842)
<b>Net cash provided by (used in) operating activities</b>	<u>(554,057)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Operating grants received	482,680
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>482,680</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchases of capital assets	(483)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(483)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income received	124
<b>Net cash provided by (used in) investing activities</b>	<u>124</u>
Net increase (decrease) in cash and cash equivalents	(71,736)
<b>Cash and cash equivalents, July 1, 2012</b>	<u>203,142</u>
<b>Cash and cash equivalents, June 30, 2013</b>	<u><u>\$ 131,406</u></u>
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (703,668)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	19,392
On-behalf payments received	66,835
Commodities used	46,903
Changes in assets and liabilities:	
Accounts receivable	(268)
Inventory	(849)
Accounts payable	13,317
Accrued sick leave	4,281
<b>Net cash provided by operating activities</b>	<u><u>\$ (554,057)</u></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>	
Food commodities received	\$ 46,903
On-behalf payments for benefits	66,835
<b>Total Non-Cash Investing, Capital, and Financing Activities</b>	<u><u>\$ 113,738</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2013

	Private Purpose Trust Funds	Agency Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 145,397	\$ 127,707
Accounts receivable	0	352
Due from Board General Fund	<u>0</u>	<u>764</u>
<b>Total Assets</b>	<u><u>\$ 145,397</u></u>	<u><u>\$ 128,823</u></u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ 0	\$ 10,973
Due to Board General Fund	0	1,333
Due to student groups	<u>0</u>	<u>116,517</u>
<b>Total Liabilities</b>	<u><u>\$ 0</u></u>	<u><u>\$ 128,823</u></u>
 <b>NET POSITION HELD IN TRUST</b>	<u><u>\$ 145,397</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

For the Year Ended June 30, 2013

	Private Purpose Trust Funds
	<u>          </u>
<b>Additions:</b>	
Interest income	\$ 2,688
Contributions received	<u>600</u>
<b>Total Additions</b>	<u>3,288</u>
 <b>Deductions:</b>	
Benefits paid	<u>3,750</u>
<b>Total Deductions</b>	<u>3,750</u>
Change in net position	(462)
<b>Net position, July 1, 2012</b>	<u>145,859</u>
<b>Net position, June 30, 2013</b>	<u><u>\$ 145,397</u></u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2013

**NOTE A – REPORTING ENTITY**

The Livingston County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Livingston County School District (“District”). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Livingston County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Livingston County Board of Education also comprise the Corporation’s Board of Directors.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.



**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$46,903 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.446 per \$100 valuation for real property, \$.446 per \$100 valuation for business personal property and \$.446 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2013 consisted of fleet, property, umbrella, workers' compensation, student liability, and performance bonds paid during the fiscal year ended June 30, 2013 that included coverage for periods beyond June 30, 2013.

Debt Costs

Unamortized debt issuance costs in the amount of \$107,315, unamortized discounts of \$58,376, and unamortized premiums of \$61,806 are included in the government-wide statements. Each of these items is amortized over the lives of the related debt issues using the straight-line method.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July, 2012 meeting, the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements and leasehold improvements. The District does not possess any infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the District had no deferred outflows or deferred inflows of resources.

In March, 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012; therefore, this statement will affect the financial statements for the fiscal year ending June 30, 2014.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 1, 2013, the date the financial statements were available to be issued.

**NOTE C – ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE D – CASH AND CASH EQUIVALENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's cash and cash equivalents was \$3,207,144. The bank balance was \$3,501,639. Of the bank balance, \$250,008 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$3,251,631 was uninsured and collateralized with securities held by the pledging banks' agent, in the District's name.

LIVINGSTON COUNTY SCHOOL DISTRICT  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
YEAR ENDED JUNE 30, 2013

**Note E - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Capital Assets:				
Land	\$ 265,984	\$ 0	\$ 2,425	\$ 263,559
Land improvements	794,134	0	0	794,134
Buildings and improvements	17,716,548	0	261,403	17,455,145
Technology equipment	1,317,412	21,085	99,849	1,238,648
Vehicles	2,169,446	0	0	2,169,446
General Equipment	476,147	26,171	1,495	500,823
Construction	475,416	2,321,335	0	2,796,751
Totals at historical cost	<u>23,215,087</u>	<u>2,368,591</u>	<u>365,172</u>	<u>25,218,506</u>
Less: Accumulated depreciation				
Land improvements	449,065	29,587	0	478,652
Buildings and improvements	5,696,344	358,894	261,178	5,794,060
Technology equipment	962,512	127,337	96,370	993,479
Vehicles	1,602,336	120,722	0	1,723,058
General Equipment	305,411	24,830	1,495	328,746
Total accumulated depreciation	<u>9,015,668</u>	<u>661,370</u>	<u>359,043</u>	<u>9,317,995</u>
Governmental Activities Capital Assets - Net	<u>\$ 14,199,419</u>	<u>\$ 1,707,221</u>	<u>\$ 6,129</u>	<u>\$ 15,900,511</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 5,068	\$ 483	\$ 0	\$ 5,551
General Equipment	439,341	0	7,253	432,088
Construction	0	27,521	0	27,521
Totals at historical cost	<u>444,409</u>	<u>28,004</u>	<u>7,253</u>	<u>465,160</u>
Less: Accumulated depreciation				
Technology equipment	725	1,014	0	1,739
General Equipment	338,662	18,378	3,562	353,478
Total accumulated depreciation	<u>339,387</u>	<u>19,392</u>	<u>3,562</u>	<u>355,217</u>
Business-Type Activities Capital Assets - Net	<u>\$ 105,022</u>	<u>\$ 8,612</u>	<u>\$ 3,691</u>	<u>\$ 109,943</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 109,136
Student support services	1,978
Instructional staff support services	5,246
District administration	32,487
School administrative support	7,224
Business support	10,424
Plant operation and maintenance	396,605
Student transportation	98,166
Community services	104
Total depreciation expense	<u>\$ 661,370</u>



**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS**

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2003	\$ 805,000	2.700% - 4.000%
2004	9,090,000	2.000% - 4.800%
2009R	1,300,000	2.000% - 3.000%
2012R	6,370,000	1.000% - 2.500%
2012Q	3,180,000	3.500%

In 1987 the District entered into a "participation agreement" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In February, 2012, the District issued bonds to advance refund a portion of the outstanding 2003 School Building Revenue bonds that were scheduled to mature on or after June 1, 2013 and a portion of the outstanding 2004 School Building Revenue bonds that are scheduled to mature on or after June 1, 2014. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$5,075,000 of bonds outstanding is considered defeased. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds, which is thirteen years for the portion relating to the 2003 issue and twelve years for the portion relating to the 2004 issue. The amount deferred is reported as a decrease to the book value of the debt issued to finance the refunding. Total deferred costs were \$706,741. Amortization for the year was \$54,343 and is included as a component of interest expense.

On December 11, 2012, the District issued \$3,180,000 in Qualified Zone Academy Bonds pursuant to Section 54 of the Internal Revenue Code, to finance capital projects at Livingston County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual sinking fund payments to be held in escrow at US Bank. Such payments will be held in trust and invested at an interest rate of 2.297% in accordance with the funding agreement. The final semi-annual payment is due December 1, 2032, at which time the bond will mature and the principal will be paid in full from the escrow account. The District is scheduled to receive a direct subsidy from the federal government on each interest payment date for its interest costs. The interest subsidy payments are included in interest expense on the financial statements. These payments are disclosed below.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS – CONTINUED**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

Year	Livingston County School District			Kentucky School Facility Construction Commission		Total
	Principal	Interest	Federal Subsidy	Principal	Interest	
2013-2014	\$ 364,685	\$ 198,143	\$ (111,300)	\$ 558,886	\$ 108,955	\$ 1,119,369
2014-2015	367,949	186,909	(111,300)	468,592	94,038	1,006,188
2015-2016	374,775	175,093	(111,300)	484,805	80,144	1,003,517
2016-2017	387,870	167,086	(111,300)	494,819	72,502	1,010,977
2017-2018	395,828	158,731	(111,300)	505,042	64,707	1,013,008
2018-2019	403,648	150,232	(111,300)	515,477	56,755	1,014,812
2019-2020	421,327	141,542	(111,300)	526,127	48,645	1,026,341
2020-2021	433,862	133,815	(111,300)	536,998	40,373	1,033,748
2021-2022	440,197	124,857	(111,300)	549,149	30,881	1,033,784
2022-2023	236,334	115,776	(111,300)	561,577	21,174	823,561
2023-2024	38,285	111,300	(111,300)	573,274	11,250	622,809
2024-2025	39,170	111,300	(111,300)	126,122	0	165,292
2025-2026	40,074	111,300	(111,300)	129,074	0	169,148
2026-2027	41,001	111,300	(111,300)	132,017	0	173,018
2027-2028	41,948	111,300	(111,300)	135,067	0	177,015
2028-2029	42,917	111,300	(111,300)	138,187	0	181,104
2029-2030	43,908	111,300	(111,300)	141,380	0	185,288
2030-2031	44,923	111,300	(111,300)	144,646	0	189,569
2031-2032	45,960	111,300	(111,300)	147,987	0	193,947
2032-2033	32,624	55,650	(55,650)	123,489	0	156,113
	<u>\$ 4,237,285</u>	<u>\$ 2,609,534</u>	<u>\$ (2,170,350)</u>	<u>\$ 6,992,715</u>	<u>\$ 629,424</u>	<u>\$ 12,298,608</u>

Interest expense paid for fiscal year ended June 30, 2013 was \$333,841 including \$47,986 in federal subsidy payments on the 2012 Qualified Zone Academy Bonds.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Bonds payable	\$ 8,815,000	\$ 3,180,000	\$ 765,000	\$ 11,230,000
Non-current portion of sick leave	59,931	91,993	18,764	133,160
Totals	<u>\$ 8,874,931</u>	<u>\$ 3,271,993</u>	<u>\$ 783,764</u>	<u>\$ 11,363,160</u>

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE G – RETIREMENT PLANS**

***Plan Descriptions***

The Livingston County School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

***Funding Policy***

Contribution rates are established by KRS. Members of KTRS are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Livingston County School District provides a contribution of 19.55% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

***Medical Insurance Plan***

*Plan description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-retirement healthcare benefit, three and one half percent (3.5%) of the gross annual payroll of members before July 1, 2008 is contributed. One and three quarters percent (1.75%) is paid by member contributions and three quarters percent (.75%) is paid from state appropriation and one percent (1.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE G – RETIREMENT PLANS – CONTINUED**

The Livingston County School District's total payroll for the year was \$7,267,258. The payroll for employees covered under KTRS was \$5,633,313 and for CERS was \$1,593,595. For the year ended June 30, 2013, the Commonwealth contributed \$669,365 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2013, were \$79,911, which represents those employees covered by federal programs. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2013 was \$393,225 which consisted of \$311,548 from the Board and \$81,677 from the employees. The contributions required and paid to CERS for the years ended June 30, 2012 and 2011 were \$348,520 and \$305,156 respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

**NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION**

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2013:

Contributions to Kentucky Teachers' Retirement System	\$ 669,365
Technology	59,743
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,303,214</u>
Total	<u>\$ 2,032,322</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 1,300,906
Support services:	
Student	67,839
Instructional staff	84,931
District administration	43,245
School administration	168,079
Business	111,193
Plant operations and maintenance	75,681
Student transportation	113,613
Food services	<u>66,835</u>
Total	<u>\$ 2,032,322</u>

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE I – COMMITMENTS AND CONTINGENCIES**

***Grant Contingencies***

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

***Insurance Contingencies***

As noted below, the District has participated in the Kentucky School Boards Insurance Trust (KSBIT) public entity risk pool. In January 2013, officials for KSBIT announced the dissolution of the trust, as well as their plans to collect the accumulated deficit by assessing each of the school districts that procured general liability, property, and workers compensation insurance coverage from KSBIT in the deficit years. Any school district which was a policy holder in the workers compensation pool from 1990 to 2011, and any district which was a policy holder in the property and general liability pool from 1993 to 2011, are subject to the assessment. The formula for the assessment is based upon the school district's length of service in KSBIT, the premiums paid, and the numbers of claims made that were attributable to the school district. KSBIT has submitted a plan to the Kentucky Department of Insurance using a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount and would continue making claims payments. The Kentucky Department of Insurance has not yet approved this plan. Until the plan is approved, no assessment will be finalized. Estimated amounts for the District based on the novation plan total approximately \$318,000. The high estimate is approximately \$320,000, while the best estimate is approximately \$246,000. It is anticipated that districts will have the option of making a lump-sum payment of the assessment or using bond financing for up to twenty years.

**NOTE J – INSURANCE AND RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, property and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. This public entity risk pool operates as a common risk management and insurance program for all school boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to the fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. As noted above, KSBIT has announced the dissolution of the trust.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE K – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2013

**NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION**

During the prior year, the District approved a contract with an architect for major renovations at the high school. The amount of the contract was \$217,500. As of the balance sheet date, \$200,693 had been completed and is included in the statement of net position as construction in progress.

During the current year, the District approved a contract with a contractor to begin the renovations at the high school. The original contract was \$2,529,077. Change orders have increased the amount to \$2,562,380. As of the balance sheet date, \$2,085,475 had been completed and is included in the statement of net position as construction in progress.

**NOTE M – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District had no funds with a deficit fund balance at June 30, 2013. The General Fund had \$476,065 less in expenditures than appropriations when excluding on-behalf payments of \$1,965,487 which are not required to be budgeted.

**NOTE N – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 26,992
Operating	Capital Outlay	Debt Service	Debt Service	141,898
Operating	Building	Debt Service	Debt Service	323,574
Operating	Building	General	Capital spending	351,995

**NOTE O – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2013 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 270,461	\$ 0
Agency Fund	1,333	764
Special Revenue Fund:		
General Fund	0	270,461
Agency Fund:		
General Fund	764	1,333

**NOTE P – LITIGATION**

The District is subject to legal action, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the case presently in progress.

## **REQUIRED SUPPLEMENTARY INFORMATION**

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 1,894,131	\$ 2,044,653	\$ 2,294,233	\$ 249,580
Motor Vehicle	350,000	350,000	657,869	307,869
Utilities	400,000	400,000	607,133	207,133
In Lieu of	950,000	950,000	1,037,560	87,560
Tuition	0	1,275	1,275	0
Earnings on Investments	4,000	4,000	1,452	(2,548)
Other local revenues	0	0	14,481	14,481
Intergovernmental - State	4,025,718	4,025,718	5,872,505	1,846,787
Intergovernmental - indirect federal	0	0	8,732	8,732
<b>TOTAL REVENUES</b>	<b>7,623,849</b>	<b>7,775,646</b>	<b>10,495,240</b>	<b>2,719,594</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	4,341,483	4,272,565	5,622,550	(1,349,985)
Support Services:				
Student	177,909	183,935	253,784	(69,849)
Instructional Staff	336,819	314,681	392,355	(77,674)
District Administration	533,306	697,637	579,890	117,747
School Administration	563,174	556,947	720,804	(163,857)
Business	293,623	195,065	304,362	(109,297)
Plant operations and maintenance	833,329	827,142	898,246	(71,104)
Student transportation	732,155	734,651	775,114	(40,463)
Contingency	275,060	275,060	0	275,060
<b>TOTAL EXPENDITURES</b>	<b>8,086,858</b>	<b>8,057,683</b>	<b>9,547,105</b>	<b>(1,489,422)</b>
Excess (deficit) of revenues over expenditures	<b>(463,009)</b>	<b>(282,037)</b>	<b>948,135</b>	<b>1,230,172</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale or compensation for loss of assets	0	0	116,850	116,850
Operating transfers in	0	0	351,995	351,995
Operating transfers out	0	(30,450)	(26,992)	3,458
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>0</b>	<b>(30,450)</b>	<b>441,853</b>	<b>472,303</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<b>(463,009)</b>	<b>(312,487)</b>	<b>1,389,988</b>	<b>1,702,475</b>
<b>Fund Balance, July 1, 2012</b>	<b>463,009</b>	<b>312,487</b>	<b>312,487</b>	<b>0</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,702,475</b>	<b>\$ 1,702,475</b>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$1,965,487 from the state are included in both revenues and expenditures in the actual column;  
however, this amount was not required to be included in the budget.



LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 0	\$ 29	\$ 29
Other local revenues	15,172	69,592	45,577	(24,015)
Intergovernmental - State	88,740	328,532	600,518	271,986
Intergovernmental - Indirect federal	255,573	1,053,080	1,391,138	338,058
<b>TOTAL REVENUES</b>	<u>359,485</u>	<u>1,451,204</u>	<u>2,037,262</u>	<u>586,058</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	347,417	1,334,658	1,886,461	(551,803)
Support Services:				
Student transportation	10,753	49,884	93,888	(44,004)
Community service activities	1,315	84,619	83,905	714
<b>TOTAL EXPENDITURES</b>	<u>359,485</u>	<u>1,469,161</u>	<u>2,064,254</u>	<u>(595,093)</u>
Excess (deficit) of revenues over expenditures	<u>0</u>	<u>(17,957)</u>	<u>(26,992)</u>	<u>(9,035)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	<u>0</u>	<u>17,957</u>	<u>26,992</u>	<u>9,035</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>17,957</u>	<u>26,992</u>	<u>9,035</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, July 1, 2012</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, June 30, 2013</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

## **OTHER SUPPLEMENTARY INFORMATION**

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 0	\$ 45,529	\$ 8	\$ 45,537
TOTAL ASSETS AND RESOURCES	<u>\$ 0</u>	<u>\$ 45,529</u>	<u>\$ 8</u>	<u>\$ 45,537</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:				
Restricted:				
KSFCC escrow	0	45,529	0	45,529
Debt service	0	0	8	8
TOTAL FUND BALANCES	<u>0</u>	<u>45,529</u>	<u>8</u>	<u>45,537</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 45,529</u>	<u>\$ 8</u>	<u>\$ 45,537</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 0	\$ 347,184	\$ 0	\$ 347,184
Earnings on Investments	0	0	7	7
Intergovernmental - State	112,231	59,652	569,738	741,621
Intergovernmental - Direct federal	0	47,986	0	47,986
TOTAL REVENUES	<u>112,231</u>	<u>454,822</u>	<u>569,745</u>	<u>1,136,798</u>
EXPENDITURES:				
Debt service	0	0	1,037,211	1,037,211
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>1,037,211</u>	<u>1,037,211</u>
Excess (deficit) of revenues over expenditures	<u>112,231</u>	<u>454,822</u>	<u>(467,466)</u>	<u>99,587</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	465,472	465,472
Operating transfers out	(141,898)	(675,569)	0	(817,467)
Proceeds of revenue refund bonds	0	0	2,000	2,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(141,898)</u>	<u>(675,569)</u>	<u>467,472</u>	<u>(349,995)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(29,667)	(220,747)	6	(250,408)
Fund Balance, July 1, 2012	<u>29,667</u>	<u>266,276</u>	<u>2</u>	<u>295,945</u>
Fund Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 45,529</u>	<u>\$ 8</u>	<u>\$ 45,537</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended June 30, 2013

	2003 BONDS FUND	2004 BONDS FUND	2009R BONDS FUND	2012R BONDS FUND	2012Q BONDS FUND	Totals Debt service Fund
REVENUES:						
From local sources:						
Earnings on investments	\$ 0	\$ 5	\$ 2	\$ 0	\$ 0	\$ 7
Intergovernmental - State	0	309,281	107,477	152,980	0	569,738
	<u>0</u>	<u>309,281</u>	<u>107,477</u>	<u>152,980</u>	<u>0</u>	<u>569,738</u>
TOTAL REVENUES	<u>0</u>	<u>309,286</u>	<u>107,479</u>	<u>152,980</u>	<u>0</u>	<u>569,745</u>
EXPENDITURES:						
Debt Service:						
Principal	10,000	460,000	210,000	85,000	0	765,000
Interest	680	58,410	27,975	132,588	52,558	272,211
	<u>10,680</u>	<u>518,410</u>	<u>237,975</u>	<u>217,588</u>	<u>52,558</u>	<u>1,037,211</u>
TOTAL EXPENDITURES	<u>10,680</u>	<u>518,410</u>	<u>237,975</u>	<u>217,588</u>	<u>52,558</u>	<u>1,037,211</u>
Excess (deficit) of revenues over expenditures	<u>(10,680)</u>	<u>(209,124)</u>	<u>(130,496)</u>	<u>(64,608)</u>	<u>(52,558)</u>	<u>(467,466)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	10,680	209,129	130,498	62,607	52,558	465,472
Proceeds of revenue refunding bonds	0	0	0	2,000	0	2,000
	<u>10,680</u>	<u>209,129</u>	<u>130,498</u>	<u>64,607</u>	<u>52,558</u>	<u>467,472</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,680</u>	<u>209,129</u>	<u>130,498</u>	<u>64,607</u>	<u>52,558</u>	<u>467,472</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	5	2	(1)	0	6
Fund balance July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>2</u>
Fund balance June 30, 2013	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 8</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS**  
June 30, 2013

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 8,769	\$ 39,601	\$ 22,230	\$ 57,107	\$ 127,707
Accounts Receivable	0	220	19	113	352
Due from Board	0	764	0	0	764
	<u>0</u>	<u>764</u>	<u>0</u>	<u>0</u>	<u>764</u>
TOTAL ASSETS	<u>\$ 8,769</u>	<u>\$ 40,585</u>	<u>\$ 22,249</u>	<u>\$ 57,220</u>	<u>\$ 128,823</u>
LIABILITIES:					
Accounts Payable	\$ 0	\$ 2,241	\$ 3,408	\$ 5,324	\$ 10,973
Due to Board	0	1,333	0	0	1,333
Due to Student Groups	8,769	37,011	18,841	51,896	116,517
TOTAL LIABILITIES	<u>\$ 8,769</u>	<u>\$ 40,585</u>	<u>\$ 22,249</u>	<u>\$ 57,220</u>	<u>\$ 128,823</u>
NET POSITION HELD IN TRUST	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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**LIVINGSTON COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2013

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Earnings on Investments	\$ 7	\$ 18	\$ 10	\$ 31	\$ 66
Student activities	32,379	73,320	36,159	215,389	357,247
Total Revenues	32,386	73,338	36,169	215,420	357,313
EXPENDITURES					
Student Activities	38,603	72,007	38,442	229,784	378,836
Total expenditures	38,603	72,007	38,442	229,784	378,836
Excess (deficit) of revenues over expenditures	(6,217)	1,331	(2,273)	(14,364)	(21,523)
Due to student groups, July 1, 2012	14,986	35,680	21,114	66,260	138,040
Due to student groups, June 30, 2013	<u>\$ 8,769</u>	<u>\$ 37,011</u>	<u>\$ 18,841</u>	<u>\$ 51,896</u>	<u>\$ 116,517</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS**  
**LIVINGSTON CENTRAL HIGH SCHOOL**  
For the Year Ended June 30, 2013

	<b>Cash Balance July 1, 2012</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>
Volleyball	\$ 0.00	\$ 2,206.98	\$ 2,206.98
Golf	0.00	693.00	293.00
Class A Volleyball	0.00	310.00	240.00
Cardinal Café	0.00	10.00	0.00
General Fund	6,682.39	65,709.41	68,609.74
PP School Store	0.00	177.44	85.00
Student Emergency	581.90	231.76	218.97
Class "A" Girls Tournament	0.00	480.00	180.00
Friends of Rachel	68.00	0.00	0.00
Textbook	19,419.27	11,395.00	14,617.27
Student Incentives	358.00	50.00	403.56
Donations	754.51	0.00	752.94
Staff Account	657.45	861.90	1,083.81
FEA	400.00	45.00	150.00
Art Club	1,070.22	25.00	180.25
Beta Club	1,643.66	849.25	624.50
FBLA	283.28	3,925.98	3,007.64
FCA	207.59	550.50	493.72
FCCLA	94.00	0.00	0.00
FFA	1,094.52	17,979.09	15,705.10
Science Club	705.17	1,170.97	1,876.14
TLC	483.28	430.00	161.47
Spirit Club	14.01	540.00	0.00
Student Council	1,322.59	812.00	707.10
Skills USA	0.57	0.00	0.00
Spanish Club	654.54	494.75	387.97
Agriculture	2.78	0.00	0.00
Choir & Music	1,433.85	0.00	935.20
Drama	56.80	0.00	0.00
Photography Club	44.00	30.00	0.00
STLP	1,871.92	431.00	411.63
Diesel Mechanics	337.91	0.00	0.00
Family & Consumer Science	740.99	0.00	0.00
Signs	816.82	5,158.51	5,192.74
Math	1,854.98	0.00	1,666.31
Technology Education	99.54	3,257.73	3,357.27
LCHS Sportsman Club	720.87	308.82	399.89
Welding	215.22	0.00	0.00
Athletics	14,073.25	35,550.42	39,587.68
Cheerleaders	2,025.01	8,963.68	10,083.93
Yearbook	108.04	32,627.83	32,735.87
Concessions	0.00	12,426.99	12,426.99
Baseball	0.00	1,519.37	1,519.37
Scholarship Account	100.00	0.00	0.00
Softball	0.00	5,670.79	5,670.79
Boys Basketball	638.03	3,870.00	3,994.91
Track	0.00	1,409.96	1,409.96
Girls Basketball	1,557.39	7,118.00	8,013.33
Class of 2012	1,172.00	0.00	0.00
Class of 2013	4,091.97	1,681.00	2,526.69
Class of 2014	0.00	8,722.00	7,125.50
Subtotal	<u>68,456.32</u>	<u>237,694.13</u>	<u>249,043.22</u>
Less: Interfund Transfers	0.00	22,038.36	22,038.36
Total	<u>\$ 68,456.32</u>	<u>\$ 215,655.77</u>	<u>\$ 227,004.86</u>

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	<b>Cash Balance June 30, 2013</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2013</b>
Volleyball	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Golf	400.00	0.00	0.00	400.00
Class A Volleyball	70.00	0.00	0.00	70.00
Cardinal Café	10.00	0.00	0.00	10.00
General Fund	3,782.06	21.23	1,149.07	2,654.22
PP School Store	92.44	0.00	0.00	92.44
Student Emergency	594.69	0.00	0.00	594.69
Class "A" Girls Tournament	300.00	0.00	0.00	300.00
Friends of Rachel	68.00	0.00	0.00	68.00
Textbook	16,197.00	0.00	44.98	16,152.02
Student Incentives	4.44	0.00	0.00	4.44
Donations	1.57	0.00	0.00	1.57
Staff Account	435.54	41.11	0.00	476.65
FEA	295.00	0.00	0.00	295.00
Art Club	914.97	0.00	0.00	914.97
Beta Club	1,868.41	0.00	0.00	1,868.41
FBLA	1,201.62	0.00	102.55	1,099.07
FCA	264.37	0.00	0.00	264.37
FCCLA	94.00	0.00	0.00	94.00
FFA	3,368.51	0.00	0.00	3,368.51
Science Club	0.00	0.00	0.00	0.00
TLC	751.81	0.00	0.00	751.81
Spirit Club	554.01	0.00	0.00	554.01
Student Council	1,427.49	0.00	0.00	1,427.49
Skills USA	0.57	0.00	0.00	0.57
Spanish Club	761.32	0.00	0.00	761.32
Agriculture	2.78	0.00	0.00	2.78
Choir & Music	498.65	0.00	0.00	498.65
Drama	56.80	0.00	0.00	56.80
Photography Club	74.00	0.00	0.00	74.00
STLP	1,891.29	0.00	0.00	1,891.29
Diesel Mechanics	337.91	0.00	0.00	337.91
Family & Consumer Science	740.99	0.00	0.00	740.99
Signs	782.59	0.00	780.00	2.59
Math	188.67	0.00	0.00	188.67
Technology Education	0.00	0.00	0.00	0.00
LCHS Sportsman Club	629.80	0.00	0.00	629.80
Welding	215.22	0.00	0.00	215.22
Athletics	10,035.99	50.18	3,247.70	6,838.47
Cheerleaders	904.76	0.00	0.00	904.76
Yearbook	0.00	0.00	0.00	0.00
Concessions	0.00	0.00	0.00	0.00
Baseball	0.00	0.00	0.00	0.00
Scholarship Account	100.00	0.00	0.00	100.00
Softball	0.00	0.00	0.00	0.00
Boys Basketball	513.12	0.00	0.00	513.12
Track	0.00	0.00	0.00	0.00
Girls Basketball	662.06	0.00	0.00	662.06
Class of 2012	1,172.00	0.00	0.00	1,172.00
Class of 2013	3,246.28	0.00	0.00	3,246.28
Class of 2014	1,596.50	0.00	0.00	1,596.50
Subtotal	57,107.23	112.52	5,324.30	51,895.45
Less: Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 57,107.23	\$ 112.52	\$ 5,324.30	\$ 51,895.45

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2013

	<u>Dallas &amp; Emma Maxfield</u>	<u>Mamie T. Ferguson</u>	<u>William F. Miller</u>	<u>Ashley Boone</u>	<u>George &amp; Opal Pullen</u>
ASSETS:					
Cash and cash equivalents	<u>\$ 67,054</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,211</u>
 TOTAL ASSETS	 <u><u>\$ 67,054</u></u>	 <u><u>\$ 14</u></u>	 <u><u>\$ 735</u></u>	 <u><u>\$ 410</u></u>	 <u><u>\$ 18,211</u></u>
 NET POSITION HELD IN TRUST	 <u><u>\$ 67,054</u></u>	 <u><u>\$ 14</u></u>	 <u><u>\$ 735</u></u>	 <u><u>\$ 410</u></u>	 <u><u>\$ 18,211</u></u>

See independent auditor's report and accompanying notes to financial statements

Robert & Margaret Shelby	Lillian Boswell	Mildred Helton Weider	Ledbetter SBDM	Totals (Memorandum Only)
\$ 54,307	\$ 4,232	\$ 600	\$ (166)	\$ 145,397
<u>\$ 54,307</u>	<u>\$ 4,232</u>	<u>\$ 600</u>	<u>\$ (166)</u>	<u>\$ 145,397</u>
<u>\$ 54,307</u>	<u>\$ 4,232</u>	<u>\$ 600</u>	<u>\$ (166)</u>	<u>\$ 145,397</u>

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST**  
**ALL PRIVATE PURPOSE TRUST FUNDS**  
For the Year Ended June 30, 2013

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone	George & Opal Pullen
REVENUES:					
From local sources:					
Earnings on Investments	\$ 1,251	\$ 0	\$ 0	\$ 0	\$ 345
Contributions	0	0	0	0	0
Total Revenues	1,251	0	0	0	345
EXPENDITURES					
Scholarships paid	1,000	0	0	0	250
Total expenditures	1,000	0	0	0	250
Excess (deficit) of revenues over expenditures	251	0	0	0	95
Net Position Held in Trust at July 1, 2012	66,803	14	735	410	18,116
Net Position Held in Trust at June 30, 2013	<u>\$ 67,054</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,211</u>

See independent auditor's report and accompanying notes to financial statements

Robert & Margaret Shelby	Lillian Boswell	Mildred Helton Weider	Ledbetter SBDM	Totals (Memorandum Only)
\$ 1,084	\$ 8	\$ 0	\$ 0	\$ 2,688
0	0	600	0	600
1,084	8	600	0	3,288
2,250	250	0	0	3,750
2,250	250	0	0	3,750
(1,166)	(242)	600	0	(462)
55,473	4,474	0	(166)	145,859
<u>\$ 54,307</u>	<u>\$ 4,232</u>	<u>\$ 600</u>	<u>\$ (166)</u>	<u>\$ 145,397</u>

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

LIVINGSTON COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Education:</u></b>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	381000212	\$ 272,246
Special Education Preschool Grants	84.173	380000212	16,684
<b>Total Special Education Cluster</b>			<u>288,930</u>
Title I Grants to Local Educational Agencies	84.010	310000211 & 12, 310020210, 11 & 12	339,342
ARRA - School Improvement Grant	84.388	410030209	70,086
Improving Teacher Quality State Grants	84.367	323000212	72,596
Rural Education	84.358	314000211 & 12	26,342
Career and Technical Education Basic Grants to States	84.048	462133212 & 13, 462131013	13,955
Twenty-First Century Community Learning Centers	84.287	340000210 & 11	573,932
Race to the Top	84.413	396000211	4,433
Education Jobs Fund	84.410	EJOB00	1,689
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u><b>1,391,305</b></u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	775000212 & 13	348,557
National School Lunch Program - donated foods (Note B)	10.555	N/A	46,903
School Breakfast Program	10.553	776000512 & 13	146,127
Summer Food Service Program for Children	10.559	769002412 & 774002312	16,176
<b>Total Child Nutrition Cluster</b>			<u>557,763</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u><b>557,763</b></u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$ 1,949,068</b></u>

See accompanying notes to schedule  
of expenditures of federal awards

**LIVINGSTON COUNTY SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2013

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Livingston County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2013 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

**NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS**

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$ 1,399,870
Total federal grants from page 16	510,860
Donated commodities from page 16	46,903
Receipts coded as negative expenditures	167
Less: Medicaid funds received	<u>(8,732)</u>
Total on page 46	<u><u>\$ 1,949,068</u></u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Livingston County School District  
Smithland, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School District's Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements, and have issued my report thereon dated November 1, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Livingston County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Livingston County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, flowing style.

Benton, Kentucky  
November 1, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Livingston County School District  
Smithland, Kentucky

**Report on Compliance for Each Major Federal Program**

I have audited the Livingston County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Livingston County School District's major federal programs for the year ended June 30, 2013. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Livingston County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School District's Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Livingston County School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Livingston County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Livingston County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky  
November 1, 2013

**LIVINGSTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Livingston County School District.
2. No significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Livingston County School District were disclosed during the audit.
4. No significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Livingston County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Livingston County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA, School Improvement Grant	84.388
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Livingston County School District did not qualify as a low-risk auditee.

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

There were no findings in the current year required to be reported in this schedule.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the current year required to be reported in this schedule.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2013**

**I. FINDINGS – FINANCIAL STATEMENT AUDIT**

2012-01. Bank Reconciliations

In the previous year, it was noted that bank reconciliations were not completed properly on a monthly basis and that large reconciling items were not investigated. It was recommended that district personnel or qualified outside consultants reconcile the bank statements on a monthly basis and that all reconciling items be investigated and adjusted. The Finance Officer and his designee made efforts to prepare bank reconciliations for each month then received assistance from the auditor in preparing adjusting entries throughout the fiscal year. The cash balances on the books were in agreement with the bank reconciliations at the end of the fiscal year; therefore, this material weakness was corrected.

2012-02. Audit Adjustments

In the prior year, audit adjustments required were material both in amount and number. It was recommended that the Finance Officer receive training in procedures to close the fiscal year. In the current year, the closing procedures outlined by the state were followed. Amounts that were received after fiscal year end and before the annual financial report deadline were analyzed to determine whether they should be recorded as accounts receivable and were posted properly. The accounts payable clerk consulted with another district on the proper method of entering invoices in order to record accounts payable in the correct fiscal year. Allocations of property tax were made to the proper funds. Because of these efforts, the adjustments required at the time of the audit were not material; therefore, this material weakness was corrected.

**II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the prior year that were required to be reported in this section.

## **MANAGEMENT LETTER POINTS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education of  
Livingston County School District  
Smithland, Kentucky

I have audited the financial statements of the Livingston County School District for the year ended June 30, 2013, and have issued my report thereon dated November 1, 2013. In planning and performing my audit of the financial statements of Livingston County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, flowing style.

Benton, Kentucky  
November 1, 2013



**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2013

**UNCORRECTED PRIOR YEAR COMMENTS**

**North Livingston Elementary**

When we began the audit of the activity funds in the prior year, the annual financial report was not available, since the ending balances were not in agreement with the bank reconciliation. We discovered that two checks were manually voided, but were not voided in the computer system. Another check had been voided in the computer, but had actually cleared the bank. A check written during June was not recorded in the computer. We provided the adjustments to the treasurer and she had someone assist in making adjustments for these items; however, when we received the annual financial report, the activity accounts grand total at June 30, 2012 was shown as \$15,339.44, the general ledger grand total was \$14,509.44, and the actual bank reconciliation as corrected was \$15,861.08. All three numbers should agree each month. In the current year, the annual financial report was again not available because the ending balances were not in agreement with the bank reconciliation. The financial report was not made available to us until October 8, 2013, although Red Book policies state that it should be prepared by July 25<sup>th</sup> each year. When we received the report, we again noted discrepancies in the checking account total and the activity accounts grand total. Details and recommendations are included in the current year comments section.

Also in the prior year, three activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. In the current year, there were two activity accounts that ended the fiscal year with a deficit balance. Details and recommendations are included in the current year comments section.

In the prior year, we noted that nine cash receipt tickets tested were not deposited in a timely manner as required by Red Book guidelines. Deposits ranged from two days to fifteen days after receipt ticket date.

In the current year, we noted four cash receipt tickets that were not deposited in a timely manner. Of these four, only one was after the prior year audit recommendations were made. Details and recommendations are included in the current year comments section.

In the prior year, we noted late fees and finance charges paid on two checks. In the current year, we again noted late fees and finance charges on four checks. Details and recommendations are included in the current year comments section.

**Livingston Central High School**

In the prior two years, it was noted that multiple receipt forms were not properly prepared. We again noted that the majority of receipts tested were not supported by any type of documentation, such as multiple receipt forms or copies of checks received. Details and recommendations are included in the current year comments section.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS**

June 30, 2013

**CORRECTED PRIOR YEAR COMMENTS**

**Central Office**

In the prior year, we noted there was no paperwork in employee files to show the approval of the rate of pay for certain services. While certified personnel and some classified personnel are paid based on an approved pay schedule, some extra services and some positions were not on the approved lists. While the recommendations from the prior year were made too late to implement them in the current year, we have noted an addition to the salary schedule for certain positions that were previously not included and the District developed and has implemented a form showing the rate of pay and type of service for other types of pay that are not on any salary schedule. The form will be signed by the person approving the pay and kept in the employee file.

In the prior year, online retirement reports were often not printed to indicate the detail of amounts that were entered. In several months, the retirement system adjusted a previous report and showed either an overpayment or underpayment on the system, without explaining the details of the difference. In the current year, the District retained all necessary printouts to show what was entered online and obtained the reasons for adjustments.

In the prior year, we noted that the amount paid for waste disposal was in excess of the contract amount by approximately \$650. The bid proposal listed a total for the year only and did not list an amount per pick-up. It could not be determined if there was an extra service included on the bills or if the amount was billed incorrectly. In the current year, we did not find any discrepancies in the amounts bid and the amounts paid for any vendor tested.

In the prior year, we noted three reimbursements for travel for which there was inadequate supporting documentation. One was not signed by the employee, another was not signed by the supervisor, and a third one was paid from a hotel receipt, without a travel voucher. In the current year, we noted that the travel reimbursements were made in accordance with Board policy after the audit findings were discussed with management.

In the prior year, we noted that several receipts were posted to an incorrect code and that the amount transferred to the SFPK Building Fund for the "nickel tax" was based on the tentative amount, instead of the final amount. In the current year, the receipts were properly coded and the correct amount was transferred to the SFPK Building Fund in accordance with final SEEK calculations.

**North Livingston Elementary**

When we reviewed activity after year-end during the prior year audit, a credit card payment was made in July 2012 for \$806.63. Included in that amount was a charge for \$31.39 that was noted as being a personal charge made accidentally by the principal that would be reimbursed; however there were no deposits made during July or August. The school was reimbursed \$31.39 by the principal and was deposited on September 14, 2012.

In the prior year, we noted two instances where multiple receipt forms listed more money than was deposited. Funds were being collected from students for lunches prior to leaving on field trips then the cash was given back to the students to buy lunch. The principal reviewed correct Red Book procedures with the teachers and in the current year all monies received from the students were deposited intact and cash was not used to pay for any items or given back to students to use.

In the prior year, we noted one check that was signed by the treasurer only. In the current year, we noted two signatures on all checks selected for testing.

In an effort to match potential collections from fundraisers with actual deposits in the prior year, we were unable to agree amounts for two fundraisers for candy and kitchen/food items. This was partially due to cash receipt tickets being written for multiple items with no breakdown between sources. In the current year, we were able to match collections from fundraisers with deposits with only minor differences noted.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2013

**CORRECTED PRIOR YEAR COMMENTS (Continued)**

**South Livingston Elementary**

In the prior year, the activity accounts grand total was \$250 more than the general ledger grand total and the bank reconciliation. This was corrected and all balances agreed on the current year annual financial report.

In the prior year, four checks were written to students or parents as rewards from the pizza fundraiser. The checks were mailed to the parents and the payees did not sign the standard invoices. In the current year, we noted proper signatures on standard invoices for all disbursements selected for testing.

When we made an effort to compare potential collections from fundraisers to actual deposits in the prior year, the deposits for the Paragon fundraiser were approximately \$740 less than the total collections should have been. The activity fund treasurer stated that there were several returned checks that have been turned over for collection and that she would begin using the fundraiser worksheet. In the current year, we were able to match collections from fundraisers with deposits with only minor differences noted.

**Livingston County Middle School**

When examining an inventory control worksheet during the prior year, we noted that the deliveries were listed at cost instead of selling price; therefore the shortage or overage was not accurate and was not explained. That was the first year that the bookkeeper used the inventory control worksheet and the auditor explained how the sheet should be filled out. In the current year, we noted that the worksheets were being completed properly.

**Livingston Central High School**

In the prior year, we did not locate any interfund transfer forms in the files. In the current year, forms were used.

In the prior year, we noted one check that was written for the amount of the purchase order, which was \$5 more than the actual invoice. In the current year, we did not note this type of error, although there were checks that were written for amounts in excess of supporting documentation, as noted in the current year comments section.

Also in the prior year, we noted one check that was written in payment of credit card charges included one charge that was supported by a purchase order only and another included \$11.10 sales tax. There was also a total of \$17.66 of sales tax paid with another check. Late fees and finance charges of \$46.25 were paid with another check. We did not note any late fees, finance charges, or sales tax paid on any of the disbursements selected for testing in the current year.

In the prior year, inventory control worksheets were not prepared for concessions. In the current year, forms were used; however, as noted in the current year comments, the unexplained difference on the worksheets was material.

In the prior year, less than one-half of the activity fund sponsors prepared a budget. For the remainder of the funds, the prior year actual amounts were used for comparison purposes. In the current year, budgets were prepared for the majority of the funds.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2013

**CURRENT YEAR COMMENTS**

**Central Office**

***Property Tax Revenue***

KRS 160.500 through 160.510 states that the tax collector will pay the board of education the amount of the school tax collected, which means that the sheriff is not to deduct his fee from the taxes collected. Except for one month, the sheriff deducted his fee prior to remitting the taxes to the District. This had been noted prior to the audit and the sheriff is aware that he is to remit the entire amount, with the District then paying the sheriff for the amount of his fee. We proposed an adjusting entry to properly record taxes at gross amounts and fees at actual. This adjustment has been made to the records. We recommend that the District Finance Officer examine reports received during FY '14 to determine compliance with this statute.

***Management's Response:***

As noted above, we've previously discussed this with the Sheriff's office. They indicated they intended to begin using the process referred to above and in compliance with KRS 160.500 through 160.510. The District Finance Officer will speak with them once again prior to the first property tax check being issued in November. The District Finance Officer will examine reports received during FY '14 to determine compliance with this statute.

***Interest Earnings***

KRS 160.570 states that before entering upon its duties, each depository shall agree with the board as to the rate of interest to be paid on average daily or monthly balances. Also, the new Red Book which takes effect July 1, 2013 specifies that each school shall have one interest earning checking account. The depository for the District stopped paying interest after August 2012. The District Finance Officer stated that negotiations with the bank were taking place. We recommend that the District follow up on the status of the interest revenue.

***Management's Response:***

The District is currently attempting to renegotiate this aspect of the agreement. The Livingston County Board of Education could rebid this service for the next fiscal year.

**North Livingston Elementary School Activity Fund**

***Annual Financial Report***

When we began the audit of the activity funds, the annual financial report was not available, since the ending balances were not in agreement with the bank reconciliation. The financial report was not made available to us until October 8, 2013, although the Red Book states that it should be completed by July 25<sup>th</sup>. When we received the report, we noted that although the checking account total of \$8,769.32 was in agreement with the bank reconciliation, the activity account grand total at June 30, 2013 was \$11,419.32. The difference of \$2,650 is partially from two mini-grants that were received in a prior year that were posted to the general fund (account 100), as well as being posted to account 685 for \$480 and account 695 for \$350. The remaining difference of \$1,820 was posted to account number 990 and was listed on both the June 30, 2012 balance and the June 30, 2013 balance, but was not actually received and deposited until August, 2013. The activity accounts grand total should agree with the general ledger grand total each month. We recommend that the computer system be adjusted so that the numbers are correct.

***Management's Response:*** When we talked with a representative of the computer software, we were told that the amount can only be corrected when the school principal and treasurer are on the phone with the computer company. We will do this as soon as possible.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2013

**CURRENT YEAR COMMENTS (Continued)**

**North Livingston Elementary School Activity Fund (Continued)**

***Deficit Balances***

Two activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. One of the accounts ended the prior year with the same deficit balance. We recommend that interfund transfers be authorized in the future so that no fund will end the year with a deficit balance.

Management's Response: Interfund transfers will be used in the future to prevent deficit balances, as per Red Book procedures.

***Cash Receipt Documentation***

In a random test of 25 cash receipt tickets, we noted that three multiple receipt forms were not signed by the person remitting the funds and one other was not signed or dated by anyone. We also noted three receipt tickets that were dated the day after the deposit was made, indicating that the receipt tickets were not completed at the time the funds were remitted.

Management's Response: The principal will work with the finance secretary to ensure that receipts match deposits and are signed and dated appropriately.

***Untimely Cash Deposits***

In a random test of 25 cash receipt tickets, we noted that four were not deposited in a timely manner as required by Red Book guidelines. Of the four, only one was after the prior year audit recommendations were made. Deposits ranged from one day to three days late. When the total received is in excess of \$100, it should be deposited by the next business day.

Management's Response: The principal is the only staff member who is able to take deposits and the banking institution is several miles from the school. We will work to get deposits to the bank in a timely manner. It is the recommendation of the principal that the board explore closer banking options.

***Disbursement Procedures***

In a random test of 25 disbursements, we noted late fees and finance charges included with four checks that were all payments on credit card bills. Also, one disbursement was not supported by a standard invoice for a refund that was paid. All disbursements should be made in a timely manner to avoid late fees and should include proper supporting documentation.

Management's Response: We will ensure that all credit card bills are paid on time to avoid any late penalties or interest charges. The finance secretary will ensure that standard invoices are issued when refunds are made.

***Purchasing Procedures***

In a random test of 25 disbursements, we noted that each purchase order was either not dated at all or was dated the same date as the check. Also, there was no approval signature on one purchase order. Purchase orders should be completed and approved prior to placing an order for merchandise or services.

Management's Response: Purchase orders will be completed and signed to indicate approval prior to purchases being made.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2013

**South Livingston Elementary School Activity Fund**

***Purchasing Procedures***

In a random test of 25 disbursements, we noted that the purchase orders for field trips were dated on the same date as the trip. Purchase orders should be used when the trip is initially planned so that approval of the trip by the principal can be indicated prior to the day of the trip, as well as prior to the date of reservations made for the trip.

Management's Response: To ensure this is completed correctly, from now on the principal will complete a purchase order for the field trip when it is officially approved on our field trip permission form.

***Inventory Control Procedures***

In a test of an inventory control worksheet for basketball concessions, we noted that the sheet was not being correctly completed. Deliveries appeared to be listed at cost instead of selling price and included dates in November and December. Collections included dates in October and November. The beginning inventory plus deliveries were approximately \$2,600 less than the collections, with no ending inventory. These two totals should not be significantly different. The notation on the sheet said "any extra was used for school wide events and programs", implying there was an ending inventory that was used for other purposes, which would make the difference even more. School personnel should be trained to complete the sheet accurately in order to know whether the cash collections are reasonable compared with the items purchased.

Management's Response: To ensure that this issue is corrected, the principal will monitor all inventory sheets on a weekly basis in addition to monitoring deposits and purchases.

**Livingston County Middle School Activity Fund**

***Purchasing Procedures***

In a random test of 25 disbursements, we noted that the purchase orders for several disbursements were dated after the date of the invoice. Purchase orders should be completed and approved prior to ordering merchandise or services.

Management's Response: All future purchase orders will be completed and approved before merchandise or services are ordered.

***Credit Card Procedures***

We noted one credit card for which a sign-out sheet was not completed. Credit cards are to be maintained under lock and key and sign-out sheets should be required for all cards when they are removed and used.

Management's Response: A sign-out sheet for this credit card was not included because this card is for office use only. In the future, a sign-out sheet will be completed even if the card is not used outside of the office.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2013

**CURRENT YEAR COMMENTS (Continued)**

**Livingston Central High School Activity Fund**

***Cash Receipts Procedures***

In a random sample of 25 cash receipts, we noted that copies of multiple receipt forms were rarely included in the file. We recommend that a copy of the form be retained in the office to have better supporting documentation for cash received. Also, four of the receipts were not deposited within the time allowed by the Red Book.

Management's Response: All teachers were given a copy of the multiple receipt form on opening day of school. Teachers are required to use this form. The school secretary has met personally with the yearbook sponsor to discuss this problem.

***Cash Disbursements Procedures***

In a random sample of disbursements, we noted one check written in payment of credit card charges that included travel; however, no travel voucher was in the file. We did not locate an invoice for three disbursements. Documentation for all disbursements should be retained.

Management's Response: School staff was not aware that a travel voucher was required for this disbursement. Travel vouchers will be used during 2013-2014 school year. One of the missing invoices was for a subscription. We sent the invoice to the board for reimbursement. We will keep a copy of such items in the future. Another missing invoice was for a referee payment for which the original check was short. We will make sure documentation is on file to explain these situations.

***Purchasing Procedures***

The purchase orders for four checks were not dated and there was no signature by the person requesting the purchase.

Management's Response: Administration and secretary will make sure dates and signatures are obtained on future purchase orders.

***Credit Card Purchases***

We noted charges on a credit card on dates that were not listed on the card sign-out sheet. The sign-out sheet should be used each time the card is checked out and the card should be returned the day after purchases are made.

Management's Response: This was an oversight in obtaining signatures. The card was checked out by the boys' basketball coach during Christmas break. The card was then transferred to the girls' basketball coach during the break. Sign in signature was obtained by the boys' coach, but not the girls' coach. We will make sure signatures are obtained in the future.

***Inventory Control Worksheets***

While inventory control worksheets were prepared for concessions, the overage of almost \$2,000 was not explained. Shortages and overages should be explained.

Management's Response: This appears to be an error in completing the worksheet. We need advice or guidance on proper completion of this form.